

STRUCTURED FINANCE

Personal loan securitisation sees strong growth in recent years; RBI guidelines may, however, dampen momentum in the near term

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Personal loans securitisation has seen a growing trend over the last few years.*

The recent RBI circular is expected to temper the growth momentum in the near term.

ICRA-rated personal loan pools have showcased healthy collection efficiencies and low-to-moderate delinquencies.



Personal loan (PL) asset class is relatively new in Indian securitisation. However, its volumes have grown for the past two financial years, and it formed ~3% share of the overall securitisation volumes in FY2023 as well as 9MFY2024.



The recent RBI circular on consumer credit is likely to dampen the growth in the near term as originators and investors adopt a more cautious approach towards this asset class.



Though volumes have increased, securitisation remains dominated by a few large originators. The top three have accounted for more than 80% of the volumes in the last three years.



ICRA-rated PL pools have shown robust performance, though pool collections have witnessed a slightly downward trend in Q3FY2024 due to higher festive season spending by the customers.



The high category ratings, mainly the AA-category, have constituted a major share in the PL securitisation space. This is because investors prefer to reduce their risks for such an unsecured asset class through higher credit enhancements in the structures.

*Personal Loans (PL) refers to both personal and consumer loans throughout the document



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